How Does Immigration Affect GDP in Your State?

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Do immigrants benefit my state's economy? Depending on who you ask, you will get different answers.

Some suggest that immigrants utilize state-funded public services like healthcare and education without contributing much to the tax base, and that they reduce wages and employment opportunities for native-born workers.

Others point to the important roles immigrants play in major industries, their outsized impact on innovation and entrepreneurship, and suggest that their impact on demand for goods and services and on productivity greatly expands the economy.

A new working paper by Baishali Rahman, Ricky Feir, and John Bitzan estimates the impact of immigrants on each state's gross domestic product (GDP).

Three Big Takeaways from the Research:

- **Both immigrant and native-born populations contribute positively to state private-sector GDP.** We estimate that a one percent increase in immigrants raises the average state's GDP by 0.15454 percent, and a one percent increase in native-born citizens raises the average state's GDP by 1.23 percent.

- **The small percentage increase in state private-sector GDP from a one-percent increase in immigrants does not suggest a small impact of immigrants on state economies.** In 2023, 14.3 percent of the U.S. population was foreign-born. This means that a one percent increase in the immigrant population accounts for a small change in the population. When simulating the impact of a 1 percent increase in population that consists entirely of immigrants, we find a U.S. average increase in private-sector GDP of 1.5 percent.

- **Estimated impacts of immigration vary widely by state, with states with smaller immigrant populations and greater economic freedom experiencing larger impacts on GDP.** Our simulations show state impacts on GDP from a 1 percent increase in the total population due to immigrants, ranging from 0.57 percent to 4.41 percent. States with small immigrant populations, such as West Virginia (2.97%), Montana (4.04%), Mississippi (4.02%), North Dakota (2.48%), and Wyoming (2.89%), show large effects. Similarly, states with high levels of economic freedom, such as New Hampshire (3.81%), South Dakota (3.14%), Idaho (2.70%), South Carolina (3.00%), and Tennessee (3.27%), show large impacts.

Figures 1 and 2 simulate the effects of a one percent increase in population when the increase is all immigrants (Figure 1) and all native born (Figure 2).

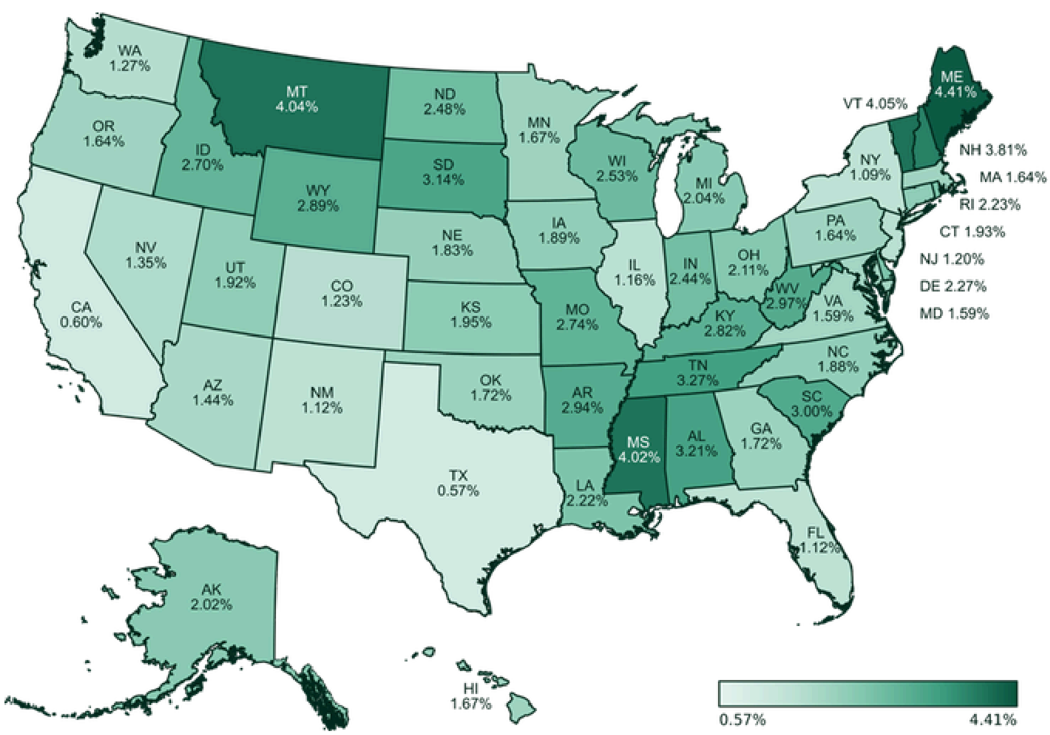

Figure 1: Estimated Percentage Increases in Private Sector GDP from a One Percent Population Increase - All Immigrants

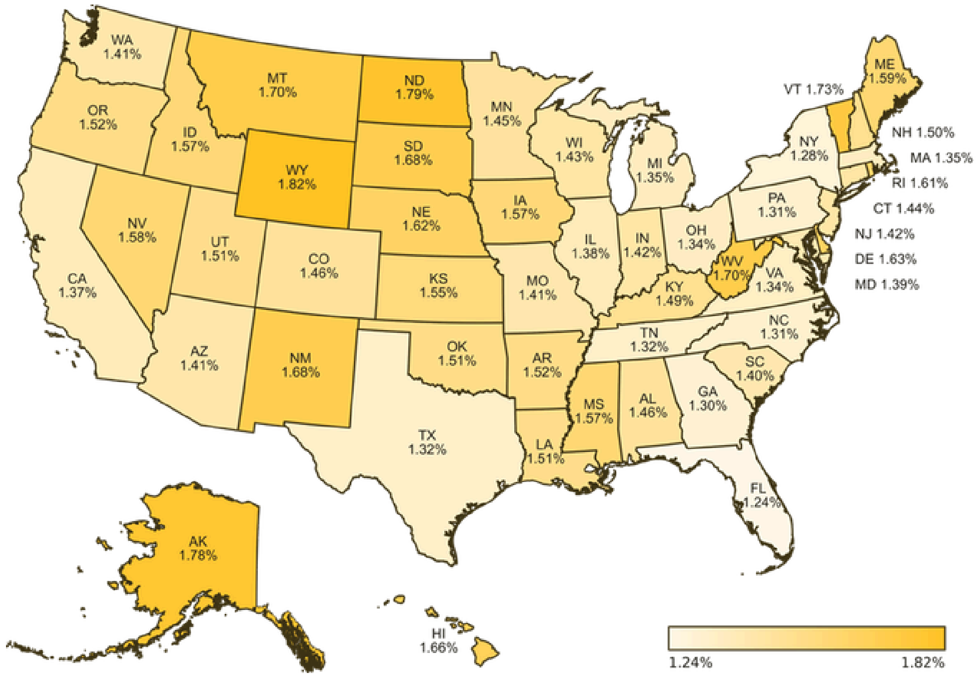

Figure 2: Estimated Percentage Increases in Private Sector GDP from a One Percent Population Increase - All Native-Born

This study is the first to estimate the contribution of immigrants to private-sector GDP across all U.S. states. It provides important insights for the future of immigration policy in the U.S.

First, the study shows a positive economic impact of immigration on the U.S. overall. This is important, since the study measures the impact of all immigrants on state economies, not just those in the labor force. This suggests that narratives claiming economic harm from immigrants, who use more resources than they contribute, are inaccurate.

Second, the study shows that the impacts of immigration are particularly large for states with small immigrant populations. This suggests that efforts to attract global talent, such as North Dakota's Global Talent Office, are likely to yield significant benefits.

Third, we show that immigration has a larger impact on state GDP when states have greater economic freedom. This suggests that states could achieve greater impacts from immigration by reducing taxes, relaxing labor regulations, and reducing government size.

In debates over immigration, the arguments often come down to whether immigrants benefit or harm the economy. On that score, it is clear that immigration is beneficial.

Authors

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Baishali Rahman is a Research Specialist for the Challey Institute for Global Innovation and Growth. She is currently pursuing a Ph.D. in Transportation and Supply Chain at North Dakota State University. Additionally, Baishali holds an M.S. in Agribusiness and Applied Economics from NDSU, an MBA with an emphasis in Marketing, and a BBA in Marketing from the University of Chittagong, Bangladesh. Before joining NDSU, she worked for over 10 years at the Central Bank of Bangladesh. As a research specialist, her work focuses on the economic impacts of immigration, economic freedom, benefits and poverty traps, and the economic outcomes of linear infrastructure.

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